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C O N F I D E N T I A L SECTION 01 OF 02 SINGAPORE 000612

SIPDIS

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TAGS: [EINV](#) [ETRD](#) [ECON](#) [PREL](#) [BM](#) [SN](#)

SUBJECT: SINGAPORE DOWNPLAYS ITS ECONOMIC RELATIONS WITH
BURMA

REF: A. SINGAPORE 611

[B](#). RANGOON 57

[C](#). SINGAPORE 566

Classified By: CDA Daniel L. Shields for reason 1.4 (b) and (d)

[1](#)1. (C) SUMMARY: Singapore is one of Burma's largest investors and trading partners, but the GOS downplays the bilateral economic relationship and asserts the economic relationship offers little leverage to engage Burma on non-economic issues. The GOS does not actively promote investment in Burma and officials say most Singaporean firms stay away because of the tough operating environment. Singapore officials indicated that they do not view China's economic engagement in Burma as an obstacle to better integration of the Association of Southeast Asian Nations (ASEAN). End Summary.

Singapore's "Minimal" Economic Relations with Burma

[1](#)2. (SBU) Officials from Singapore's Ministry of Trade and Industry (MTI) downplayed the economic relationship between Singapore and Burma during a June 3 meeting with Econoff. MTI's Deputy Director for Southeast Asia Jayashree Sadanandan characterized Singaporean investment in Burma as "insignificant," noting that in cumulative stock terms it was about SGD 1.7 billion (USD 1.17 billion) at the end of 2007 (latest figure available). (Note: Burma's 2007 GDP was estimated to be about USD 16 billion. End note.) Singapore's investments make Singapore the third largest investor nation in Burma after Thailand and the UK. Most Singaporean investments are limited to Burma's real estate and hotel sectors, Angela PNG, Regional Director for Southeast Asia International Operations Group at International Enterprise (IE) Singapore, told Econoff. IE, the GOS agency responsible for export promotion does not maintain an office in Burma. The GOS describes Singapore's investment in Burma in modest terms, but by contrast, Dr. Li Chenyang, a visiting research fellow at the East Asian Institute and Director of the Institute of Southeast Asian Studies at Yunnan University, described during a recent seminar, China's "huge" investment in Burma though China is the fourth largest investor in Burma after Singapore (Ref A).

[1](#)3. (SBU) MTI emphasized that Burma is only Singapore's 39th largest trading partner and total trade is approximately SGD 1.94 billion (USD 1.34 billion), equivalent to about 0.2 percent of Singapore's worldwide trade. Singapore imports only SGD 1.25 million (USD 860,000) worth of goods from Burma, including wood products, fertilizers, food-related products and raw materials. MTI officials were not aware of anything that would have caused a sharp increase in imports from Burma as seen in 2008 (Ref B), but said they do not

monitor closely the substantial transshipment trade that may come through Singapore from Burma. Exports from Singapore to Burma totaled about SGD 1.8 billion (USD 1.24 billion) in 2008 and mostly comprised refined petroleum products and industrial machinery, according to MTI. More than half of the exports were re-exports.

Invest at Your Own Risk

¶4. (C) The GOS neither encourages nor discourages investment and trade with Burma, MFA Deputy Director for the Southeast Asia Directorate Kamal VASWANI P. Kepujian told Econoff June 16. Singapore companies make their own business decisions about Burma. Singaporean businesses find operating in Burma challenging because of unreliable economic data and a capricious bureaucracy, Vaswani added. There are no active, formal mechanisms like a bilateral trade agreement to address investment disputes. On occasion, GOS officials have joined trade delegations to Burma to help advocate on behalf of businesses, Vaswani said. Singapore typically addresses trade issues such as tariff reductions through ASEAN. Vaswani suggested that the Singaporean businesses that have ventured into Burma have not profited but are in sectors that are difficult to exit, such as real estate. IE's Png acknowledged that many Singaporean businesses choose not to deal with Burma for fear of repercussions in the United States and Europe.

¶5. (C) Neither MTI nor MFA officials were aware of any new Burmese requests for Singapore investment resulting from the global economic downturn. Burma's economy is isolated and

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the global financial crisis has had little effect on the country, the MTI and IE officials surmised.

Leveraging the Economic Relationship

¶6. (C) MTI officials told Econoff that Singapore's "minimal" economic relationship with Burma does not provide it leverage to encourage the Burmese government to address non-economic issues. If Singapore shut off its interactions with Burma, the regime would just find other economic partners to replace Singapore, Sadanandan said. MTI officials indicated they are not in a position to gauge whether Singaporean investment in Burma offers any development benefits or reaches the larger population as opposed to just enriching the Burmese officials and their cronies. Comments by Senior Minister GOH Chok Tong, following his four-day visit to Burma (Ref C), suggested that more Singapore businesses might be willing to invest in Burma if progress toward democracy and greater transparency were made during Burma's 2010 elections. MTI and MFA officials said Singapore investors will become more active in Burma when business conditions improve, risks become more calculable, and there is greater political stability.

¶7. (C) Singapore has been very supportive of ASEAN integration, but MFA and MTI officials suggested that even in the context of trying to build an ASEAN community that can be a counterweight to China and India, there is little incentive to leverage economic relations to encourage political changes in Burma. Vaswani indicated there is no discussion within ASEAN regarding the economic assets individual member countries bring to the table (e.g., natural resources) and how to integrate those assets into the larger economic goals of ASEAN (e.g., ASEAN pipeline or power grid). MFA and MTI officials were supportive in principle of foreign investment in Burma that helps develop Burma's infrastructure. When asked, they did not express any concerns about the potential for non-ASEAN investors like China to take advantage of the political situation in Burma and exploit natural resources or use imported, instead of local labor, to complete infrastructure projects.

Defining "Engagement"

18. (C) Singapore routinely advocates "engagement" over sanctions, which both MTI and MFA officials asserted were not effective in bringing change to Burma. When asked to define engagement, they emphasized Singapore's non-interference and open-door approach. The GOS prefers quiet, behind-the-scenes discussions, aiming to keep the lines of communication open and avoid further isolating Burma, MFA's Vaswani stated. Singapore has been able to build a level of trust with Burma because it does not try to dictate how it should handle its internal affairs, Vaswani continued.

19. (SBU) Singapore provides Burma technical assistance, capacity building and limited educational opportunities, Vaswani stated. He listed port management and online business licensing among the areas where Singapore has recently been asked to offer technical expertise to Burma. Under the Singapore Cooperation Program, Singapore has trained more than 6,000 Burmese officials in fields such as English language, tourism and information technology. Some of the training organized for Burmese officials under the Initiative for ASEAN Integration include: Financial Reforms in the Public Sector; Teamwork and Conflict Resolution for Senior Managers; and Investment Management and Promotion Strategies. Through ASEAN Singapore also offers scholarships for high-school age Burmese students.

What the United States Could Do

10. (C) The GOS has acknowledged that a conviction of Aung San Suu Kyi could affect the outcome of an ongoing U.S. review of our Burma policy. However, MFA's Vaswani ventured that areas of development in Burma that could potentially benefit from U.S. expertise would include training healthcare providers and building capacity in community medicine.

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